PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item 67 ID#3688

ENERGY DIVISION **RESOLUTION E-3879**

July 8, 2004

R E S O L U T I O N

Resolution E-3879. This Resolution approves Southern California Edison's (SCE) request to re-open schedule 20/20 for commercial and industrial customers on time-of-use rate schedules, expand the AB970 Smart Thermostat Program, and increase enrollment in the Residential Air Conditioning Cycling Program to reduce peak electricity demand during the Summer 2004.

By Advice Letter (AL) 1804-E filed on June 8, 2004.

SUMMARY

SCE's Load Control Proposals for Summer 2004 are Approved

This resolution approves SCE's request to re-open schedule 20/20 for commercial and industrial customers on time-of-use rate schedules, expand the AB970 Smart Thermostat Program and increase enrollment in the Residential Air Conditioning Load Control Program to reduce peak electricity demand during the summer 2004. This resolution also authorizes the funding and cost recovery for the implementation of the proposed programs for this summer.

This resolution directs SCE to conduct a detailed evaluation of peak energy savings for the ST and 20/20 programs for 2004, and requires SCE to file the program evaluation reports with the Energy Division by March 1, 2005. Energy Division does not direct SCE to conduct an evaluation of peak energy savings for the ACCP program, but anticipates that such an evaluation will be done by SCE by the spring of 2005.

This resolution also requires SCE to report with the Energy Division monthly implementation/operational costs for the authorized programs, as well as information about the programs' operation.

BACKGROUND

Assigned Commissioner Ruling Requested Load Control Proposals for Summer 2004 Implementation

The Assigned Commissioner issued a Ruling (ACR) in R.02-06-001 on June 4, 2004 to address concerns over potential energy supply shortages for the Summer 2004 in specific "transmission constrained" areas of SCE's service territory. The ACR invited, but not required, the three investor owned utilities (Pacific Gas and Electric, Southern California Edison and San Diego Gas and Electric) to submit proposals to implement programs that would achieve demand response through Advance Load Control (as proposed by SCE in their March 31, 2004 filing in R.02-06-001) and through expansion of the Smart Thermostat Program (as proposed by SCE and SDG&E). The objective of the ACR was to examine whether the load control programs proposed by the IOUs for summer 2005 in R.02-06-001 should be considered for implementation for at least part of the Summer 2004, as a way to address the concern for potential energy supply shortage.

The ACR specified the following technical and program proposal requirements[1]: 1) the control and communication technology for the proposed load control programs should have the capabilities to receive both price and load control signals, customer override signals, and upward/forward compatibility with advanced meters and control systems; and 2) program proposals also needed to include details necessary for full evaluation of the program design, including strategies for marketing and roll-out, technical specifications and detailed cost information, at a minimum.

SCE Requests Commission Authority to Expand their Smart Thermostat Program, Re-open their 20/20 Rebate Program, and Expand their Air Conditioning Cycling Program

In response to the ACR, on June 8, 2004, SCE filed Advice Letter 1804-E proposing to implement the following load control programs for summer 2004 (programs are discussed in more detailed in the discussion section):

1) Expand their existing ***AB970 Smart Thermostat (ST) Program*** for bundled service C& I customers on TOU tariffs. SCE will target C&I customers in hot climate and rural areas with air conditioning (A/C) units with capacity greater than 4 tons; under the proposed ST program design offering, customers would agree to have

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1. ACR pgs. 1 and 2.

their ST temperature set-back 2-4 degrees for up to 25 times per year, in exchange customers receive an incentive payment of $150/year[2].

2) Re-open their ***20/20 Rebate Program*** schedule to bundled service C&I customers on the TOU tariffs[3] for summer 2004 (July 1 through October 3, 2004). Customers would receive a 20 % bill credit (applied to on-peak energy and demand) if they reduce their average daily *on-peak* electricity usage by at least 20% in a summer month in 2004, compared to the same month in 2003. SCE will evaluate and calculate energy savings based on a customer's billing cycle rather than calendar month. This program targets C&I customers' on-peak energy usage.

3) Expand their existing ***Air Conditioning Cycling Program (ACCP)*** by 10,000 new participants in addition to the 20,000 installation already planned for this summer.

NOTICE

Notice of AL 1804-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of their AL was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Energy Division Rejects Protests by CMTA and ORA
SCE's AL 1804-E was timely protested by the California Manufacture's & Technology Association (CMTA), the Office of Ratepayer Advocates (ORA), and by The Utility Reform Network (TURN).

CMTA generally supports SCE's efforts on the proposed programs. However CMTA protests SCE's proposal to exclude direct access customers from the proposed 20/20 rebate program. CMTA argues that SCE provides no explanation as to why direct access customers on TOU rate schedules are not eligible; and that SCE's proposed exclusion is inconsistent with the treatment SCE proposes for direct access customers in

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2. SCE proposed to reduce the original ST program incentive from $300/year to $150/year.

3. The eligible schedules are TOU-8, RTP-2, TOU-GS-1,TOU-GS-2,GS2-TOU, TOU-EV-3 and TOU-EV-4. Customers and rate schedules not eligible for this program include: direct access customers; rate schedule PC-TBS, interruptible rate schedules I-6, I-6 BIP, RTP-2-I and TOU-8-SOP-I; and customers on net metering, parallel generation, and standby rate schedules.

their proposed Demand Bidding Program (DBP) in AL 1805-E, which is subject to the customer's ESP contractually agreeing to the arrangement. CMTA request a similar arrangement for the proposed 20/20 rebate program.

SCE's response to CMTA protest on the exclusion of DA customers from the 20/20 rebate program is that the necessary program modifications to allow the participation of DA customers cannot be implemented by this summer. Further, that in order to meet the short time frame to implement the 20/20 rebate program for this summer SCE had to mirror the 2001/2002 program requirements to minimize billing programming code changes, and that DA customers were not included in the 2001 and 2002 programs. SCE estimates that there would be insufficient time to identify the new program requirements, code, test, and implement the program for this summer.

In response to the second issue raised by CMTA, the exclusion of the DA customers from the 20/20 program is inconsistent with the treatment of DA customers in the proposed Demand Bidding Program in AL 1805-E, SCE states that because they do not procure electricity for DA customers, sufficient arrangements with ESPs are required before DA customers can be included in a utility demand reduction program. Given the complexities of these issues, SCE does not believe that such arrangements, whether by contractual agreement or tariff amendment, can be in place by July 1, 2004.

Energy Division agrees with SCE that there are a number of issues (i.e. contractual agreements/tariff conditions) that would need to be resolved before making a decision on whether the 20/20 rebate program should be opened to DA customers. Energy Division also agrees that the resolution of these issues would delay the implementation of the program beyond this summer. This would be further complicated by Energy Division's need for additional information on the estimated costs of offering the 20/20 program to DA customers and the potential load savings that would be achieved from DA customers.

ORA, in its protest, agrees with SCE that customers on the interruptible rate programs should be excluded from the 20/20 program because they are already getting paid for reducing load during emergencies. ORA also agrees that schedule 20/20 bill credit should only apply during peak hours, but finds no logical reason to exclude residential customers on a TOU rate schedule. ORA believes that the 20/20 rebate schedule should be opened to all customers on TOU rate schedules, except for CARE customers.

SCE's response to ORA's protest is that the 20/20 program focuses on large C& I customers because the program can be implemented by July 1st with the greatest return on the investment. Agricultural and residential TOU customers were not included in the proposed program offering simply to allow SCE to focus its program efforts on large C&I customers where it believes it will obtain the greatest load savings.

Energy Division agrees with SCE that large C&I customers have significantly larger loads and could provide greater load savings. Further, loads for residential customers' tend to have more variation and are more sensitive to a number of factors (i.e. changes in the number of people in the household/appliance holdings). Thus, Energy Division does not recommend opening the 20/20 program to residential TOU customer without further analysis. Energy Division would also need to obtain and review additional information on the costs and potential load savings that could be achieved by offering the program to all TOU customers.

TURN strongly supports SCE's proposed load control program proposals. TURN urges the Commission to authorize program activities and cost recovery for the residential ACCP and ST program expansion, and C&I 20/20 rebate program offering. TURN notes that the commercial ST program costs about five times as much per kW of reduction as the ACCP, and that only participation growth in 2003 and 2004 has been in the residential "enhanced" ACCP.

SCE response is that TURN's protest does not contest any of the SCE's demand response proposals, but instead makes certain comments and clarifications concerning SCE's proposed programs. Energy Division agrees with SCE's assessment.

DISCUSSION

Energy Division Recommends Adoption of SCE's Smart Thermostat Program Expansion Which Would Be Covered By Existing Funding

SCE requests Commission approval to expand its Smart Thermostat[4] (ST) Program by an additional 4,000 C&I customer accounts. The ST program currently receives $5.94 million in funding through AB970, and 4,600 C&I customers participate in the program. The program expansion and evaluation would be covered through the existing funding.

The program expansion will target C&I customers with demands below 200 kW, in hot climate and rural areas, with A/C units with capacities of 4 tons or greater. The ST technology is provided at no cost to the customer. The ST program in 2004 would be

4. The ST program was created in 2001 by Decision (D.) 01-03-036 to test the ST technology and customer demand response and ST technology that allows the utility to set back customers' ST during a test event.

offered with a reduced incentive payment of $150 per year (the original program incentive payment is $300 per year); in exchange for the incentive payments customers agree to have their ST temperature set back by 2-4 degrees, and up to 25 test events can be called by SCE during a year; test events are triggered by high temperatures at SCE's discretion. Customers can override the ST's temperature control, but each override reduces the total incentive by $10. This condition will remain the same in the 2004 ST program offering.

SCE Estimates an Additional 4 MWs of Peak Load Reduction From the Proposed ST Program Expansion

SCE estimates an additional 4 MWs of peak load reduction from the 4,000 new customers, based on last two years of program results. SCE obtained an average peak load reduction of 4.5-6.5 MWs from the 4,600 ST units installed in 2002 and 2003. SCE called 14 test events in 2002 for all ST program participants and 8 additional test curtailments for two sample groups; and in 2003 19 test events were called.

SCE reports annual ST program expenditures of $4.0 million for 2002 and $3.1 million for 2003[5], which is below the authorized amount of $5.94 million (D. 01-03-073). SCE estimates that the ST program expansion will cost $2.7 million: $1.6 million for the additional 4,000 smart thermostats and installation, $600,000 for the incentive payment per year, $100,000 for additional communications and software, $120,000 for project management for the implementation of the program expansion. SCE requests that the $2.7 million for the summer 2004 program expansion be covered through the already authorized funds. Under this condition, Energy Division recommends adopting SCE's program expansion and funding request. However the total annual costs for the ST program should remain within the authorized $5.94 million.

SCE's ST program proposal also meets the technical requirements specified in the ACR and program implementation is feasible for this summer. However, Energy Division proposes the following program operation changes for the 2004 program offering, to increase the load reductions and duration of the load reductions: the minimum set back temperature should be 4 degrees; the minimum number of test events for this summer should be 15 with a duration of 2-4 hours per event, and no more than 3 consecutive events should be called per week. SCE should comment, in their comments to the draft resolution, on the feasibility and effectiveness of implementing the proposed program changes.

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5. SCE's June 18, 1004 response to Energy Division's data request.

SCE Should Submit the ST Program Evaluation by March 1, 2005

SCE indicated to Energy Division that they plan to conduct a 2004 ST program evaluation, which will include the existing and the additional 4,000 customers. The costs for the program evaluation will also be covered through the existing funding. Energy Division supports such evaluation and recommends that SCE file this evaluation with the Energy Division by March 1, 2005. The evaluation should include collecting incremental load data from a representative sample of ST customers to facilitate documentation of actual load reductions achieved through the program at an individual and aggregate level. Further data collection on the individual customer impacts should also be included in the evaluation to provide a basis for comparing the ST program with other demand response options.

Energy Division therefore recommends increasing the customer participation limit set in D.01-03-073 by 4,000 accounts. Energy Division also recommends granting SCE the authority to continue to record and recover costs associated with the ST program expansion through the Demand Reduction and Self Generation Program Incremental Cost Memorandum Account and to allocate the program expansion costs as specified in their advice letter filing. SCE shall also report to the Energy Division the monthly implementation and operational costs associated with the ST program expansion. This report should also include information on program operations: number of test events called during the month, duration of the events; and load reduction estimates. Total annual ST program costs should remain within the authorized amount in D.01-03-073.

Energy Division Recommends Commission Approval of SCE's Request to Re-open the 20/20 Rebate Program for Summer 2004 If Accompanied by a Detailed Program Evaluation

The proposed 20/20 rebate program would be offered to bundled service C&I customers taking service on TOU rate schedules[6]. The proposed 20/20 program would give C&I customers a 20 percent bill credit (applied to on-peak energy and demand) if they reduce their average daily on-peak hour electricity consumption by at least 20% in a summer month of 2004, compared to the same month in summer 2003[7].

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6. The eligible schedules are TOU-8, RTP-2, TOU-GS-1, TOU-GS-2,GS2-TOU, TOU-EV-3 and TOU-EV-4. Customers and rate schedules not eligible for this program include: direct access customers; rate schedule PC-TBS, interruptible rate schedules I-6, I-6 BIP, RTP-2-I and TOU-8-SOP-I; and customers on net metering, parallel generation, and standby rate schedules.

7. SCE will evaluate and calculate energy savings based on a customer's billing cycle rather than calendar month.

SCE Estimates Peak Load Reduction of 31 to 186 MWs From the Proposed 2004 20/20 Rebate Program

SCE estimates that the total peak demand represented by C&I customers eligible for this program is at least 3,100 MW. Based on this load amount SCE estimates that the program can achieve a peak load reduction between 31 to 186 MWs[8], assuming a 1% to 6% total load reduction in response to the 20/20 program offering. This peak load reduction estimate is based on the load data from C&I customers who received 20/20 rebates in 2001. The total peak demand includes approximately 6,000 customers that transferred onto TOU rate schedule as part of the Real Time Energy Meter program under AB1X-29 between 2001 and 2004. SCE estimates that approximately 10,000 C&I customers would be eligible for the 2004 20/20 program.

SCE estimates that C&I customers contributed approximately 157 million kWh of on-peak energy savings in the 2001 20/20 program. These customers received approximately $13.8 million in rebates plus $2 million for program implementation costs, which results in a cost of $100 per MWh for on-peak load reductions.

Energy Division Supports SCE's 20/20 Program Proposal But Recommends the Adoption of Cost-Effectiveness Program Evaluation

Energy Division supports the proposed 2004 20/20 program because it targets C&I customers' on-peak energy usage, which is different from 2001 and 2002 20/20 program offerings. In 2002 the 20/20 program was offered only to residential customers and the bill credits were based on monthly energy usage, which included off-peak usage. By applying the incentive to the entire bill, it increases the number of factors that affect energy consumptions and reduces the effectiveness of the incentive to reduce on-peak load. The 2001 20/20 program had similar issues since the program was offered to TOU and non-TOU customer classes (residential, commercial, industrial and agricultural customers). Therefore, it is difficult to assess the 2001 and 2002 cost-effectiveness as a load reduction program. However, the March 13, 2003 California Summary Study of the 2001 Energy Efficiency Programs, which was conducted by Global Energy Partners for SCE and the California Measurement Advisory Council attributes 64% of the peak energy savings (2,616 MWs) in 2001 to the combination of the 20/20 rebate program, increased rates, the Flex Your Power campaign and voluntary conservation. The report does not isolate the effects of 20/20 program from other conservation actions. This analysis reports only the effects on total consumption, not on-peak load or peak period consumption.

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8. SCE's June 15, 2004 response to Energy Division's data request.

By targeting the program offering to large C&I TOU customers and focusing the incentive/bill credit on on-peak load reductions (excludes off-peak electricity usage) should increase the program effectiveness. In the proposed 20/20 rebate program for 2004, C&I customers must reduce their average electricity consumption during on-peak hours in a summer month of 2004 by at least 20% below the same month in 2003 in order to receive a bill credit. This measure also serves to contain costs. The program design however does not completely eliminate the effects of other factors that impact electricity consumption (i.e. weather and business load growth).

SCE's proposed program evaluation, however will attempt to isolate the effects of the program on peak load savings. SCE proposes to conduct a more detailed program evaluation in 2004 to assess the cost-effectiveness of the new program. SCE will estimate the effect of the program on on-peak energy usage using a detailed statistical analysis approach (time series cross-sectional multiple regression analysis[9]) which will incorporate following customer data:

- Total daily usage and peak hour usage each month, for the two-year period from January 2003 through December 2004.
- Incorporate dummy variables to account for the presence of the program in July, August, and September of 2004.
- Incorporate weather data for the covered period, to enable correction for weather variations in each 2004 month compared to its 2003 baseline month. SCE has 15-minute weather data from 24 weather stations available to match to each customer account for this purpose.
- SCE will explore alternative approaches to control for changes in the overall patterns of energy use due to changes in the economy and other changes that significantly affect energy use between the summers of 2003 and 2004. The major correction factor will come from including 21 months of eligible customer usage outside the program period. Supplemental approaches may include the use of indicators of economic activity and the use of potential control group customers in the analysis. For example, TOU-metered customers who are not eligible for the program could be included as a control group.
- Actual program costs will be tracked. These will be divided by the program impacts as estimated above to derive an ex post measurement of the cost per MWh of peak hour usage reduction. For cost-effectiveness, this cost per MWh will be compared against the costs avoided as a result of this program.

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9. SCE's June 15, 2004 response to Energy Division's data request.

Energy Division recommends adopting SCE's 20/20 program proposal in combination with the cost-effectiveness program evaluation described above. SCE shall file the completed cost-effectiveness evaluation report with the Energy Division by March 1, 2005. The data supporting this evaluation should be made available to the Energy Division or the Energy Commission staff, upon request, for verification of the load reduction achieved.

SCE Estimates 2004 20/20 Program Costs at $7 to $20 Million

The estimated implementation and rebate costs for the 2004 20/20 rebate program are between $7-$20 million ($6-$19 million for rebates and $1 million for program implementation, including customer outreach and media). SCE proposes to recover the costs of implementing the 20/20 program and customer rebates for summer 2004 through their Energy Resource Recovery Account (ERRA). Potential program savings would be the avoided cost of on-peak energy purchases due to conservation/load reductions. Energy Division recommends granting SCE the authority to the record and recover the cost of re-opening/ implementing the 20/20 rebate program (implementation, marketing, and customer rebate costs) in their ERRA. SCE shall file monthly reports on these costs to the Energy Division, including the estimated load savings.

Energy Division Recommends Commission Approval of SCE's the Residential Air Conditioning Cycling Program (ACCP) Expansion for Summer 2004

SCE requests Commission approval to increase enrollment in their residential ACCP by 10,000 new participants, in addition to the 20,000 new customers SCE is already planning for summer 2004.

SCE proposes the ACCP expansion instead of the Advanced Load Control (ALC) program it proposed in their March 31, 2004 filing in R.02-06-001 because the ALC program and technology cannot be implemented by this summer. There is insufficient time to procure the technology for the ALC program (ALC cyclers that allow the communication back to the central office) to allow for installation of the technology by this summer. There is also insufficient time to design the new tariffs for the ALC program offering.

However, SCE's plan for the ALC program for summer 2005 is to integrate the existing ACCP technology and infrastructure with the newer communications and override technology (required by the ACR) for the ALC program. This reduces Energy Division's concern over investing in additional ACCP technology that would become stranded because it would not provide the functional capabilities necessary for future demand response programs.

SCE Estimates a Peak Load Reduction of 10 to 17 MWs From the ACCP Expansion At An Additional Cost of $2.9 Million

SCE estimates that a 10-17 MW of peak load reduction will be obtained from the additional 10,000 customers and a total of 30-51 MW for the 30,000 new customers for this summer. SCE anticipates obtaining $3 million per year (2003 through 2005) in funding for their ACCP program through their 2003 Test Year General Rate Case (GRC), which would be recovered through base distribution rates[10]. This funding level is based on an ACCP enrollment of 20,000 customers per year and is subject to one-way balancing account. SCE estimates that an additional 10,000 ACCP customer accounts would cost $2.9 million: $.9 million for customer outreach, $1.5 million in device and installation costs, and $500,000 to cover 1 month of incentives at 100% cycling.

SCE proposes to establish a new memorandum account to track the costs of procuring and installing the additional ACCP load switches. SCE proposes to record the costs associated with the enrollments in the ACCP during the summer of 2004 that are above the 20,000 service accounts in the new ACCP memorandum account. Granting SCE's request to establish the ACCP memorandum account provides SCE the authority to record ACCP costs associated with their program expansion requests for future cost recovery, once determined reasonable. Energy Division supports the approval of the ACCP memorandum account for the purpose of recording the ACCP program expansion costs.

Energy Division supports the approval of the ACCP expansion proposal, but it should be limited for this summer, to address the immediate energy supply shortage concern. We note that the Commission is currently formulating demand response program policies that will be implemented on a more permanent basis in 2005 and beyond. Energy Division supports the concept air conditioning direct load control, as in SCE's ACCP, because it is an effective way to reduce peak load during system emergencies. However the ACCP's A/C control technology does not give customers the ability and flexibility to respond to or override the load control signal, which are among the technical requirements specified in the ACR. However, SCE has indicated to the Energy Division that the ACPP technology can be integrated with the newer technology for the ALC program, which would add the functional capabilities specified in the ACR. The costs associated with this system integration, however are not yet known.

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10. ALJ Proposed Decision and two Alternate Decisions in SCE's 2003 GRC phase 1 proceeding (A.02-05-004). All draft decisions include $3 million in funding for the SCE's ACCP.

Given that the ACCP technology can be integrated with the newer communications and override capabilities that will be provided in the ALC program, Energy Division can support this emergency request to install more cycling equipment for this summer. We do not direct SCE to conduct an evaluation for the ACCP program, however we expect SCE to evaluate the impacts of its ACCP program for 2004 and provide these results by the spring of 2005.

Energy Division Recommends Approval of SCE's Proposed Customer Outreach and Media Campaign

SCE plans to conduct an integrated outreach campaign to build participation in the proposed ST program expansion, 20/20 rebate program, and ACCP expansion; and raise customer awareness of the need to conserve energy during peak periods. SCE plans to provide program specific messaging and mass media with general on-peak reduction messages. SCE plans to conduct a 12- week mass media advertising campaign (radio and print), which will run in English, Spanish, and multiple Asian language stations throughout SCE's service territory.

SCE Estimates the Mass Media Campaign to Cost $1.85 Million

SCE estimates the Mass Media Campaign to cost $1.85 million. SCE requests authority to establish a new memorandum account, Mass Media Campaign Memorandum Account (MMCMA), to record costs associated with the media campaign. SCE proposes to dispose of the balance recorded in the MMCMA through a subsequent advice letter filing, which would be made no later than February 28, 2005. This filing would include the recorded costs of the MMCA and a description of the implemented mass media campaign efforts. The approved MMCA balance would then be transferred to the Base Revenue Requirement Balancing Account (BRRBA[11]). Energy Division supports the approval of SCE's request to create the MMCMA to record the mass media campaign costs for future recovery. These costs should be capped at the requested amount, $1.85 million.

Mass media has proven to be an effective way to get customers to reduce load/conserve electricity, as the results showed during the energy crisis. Energy Division considers the mass media campaign a key component in maximizing customer participation, education, and response to the proposed programs. Energy Division therefore recommends approval of SCE's mass media campaign proposal and encourages SCE to

11. The BRRBA account is being authorized through SCE's 2003 GRC, and this account will replace SCE's Electric Distribution Revenue Adjustment Balancing Account and Native Load Balancing Account.

coordinate their efforts with those of the California Department of Consumer Affairs' Flex-Your-Power campaign.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

The 30-day comment period has been reduced by a decision where the Commission has determined that the public necessity, as defined in Rule 77.7(f)(9), requires reduction of the 30-day comment period. The June 4 ACR provides Energy Division the authority to reduce the comment period on the draft resolution to allow action at the earliest Commission meeting possible.

FINDINGS

1. On June 4, 2004, an ACR was issued inviting the three investor owned utilities to submit proposals to implement programs to achieve demand response through Advance Load Control and through expansion of the Smart Thermostat Program to be considered for implementation for this summer.

2. On June 8, 2004, SCE filed Advice Letter 1804-E proposing to re-open their 20/20 rebate program schedule for bundled service C&I customers on TOU rate schedules, expand their AB970 Smart Thermostat Program, and increase enrollment in their residential ACCP program by an additional 10,000 new accounts.

3. SCE requests Commission approval to expand its ST Program participation by an additional 4,000 C&I customer accounts.

4. The ST program currently has $5.94 million in funding through AB970, and 4,600 C&I customers participating in the program.

5. The 2004 ST program would be offered with a reduce incentive payment of $150 per year instead of the $300/year in the original ST program offering; the existing program operational parameters (25 test events/year and $10 incentive payment reduction/override) remain in place.

6. SCE estimates an additional 4MWs of peak load reduction from the ST program expansion at an estimated cost of $2.7 million.

7. SCE reports annual ST program expenditures of $4.0 million for 2002 and $3.1 million for 2003, below the total authorized amount of $5.94 million (D. 01-03-073).

8. SCE requests that costs associated with their ST program expansion proposal be covered through existing funding and recovered through their existing Demand Reduction and Self Generation Program Incremental Cost Memorandum Account.

9. This resolution recommends approval of SCE's cost recovery request for the ST program expansion. Total annual ST program costs, however should remain within the authorized amount in D.01-03-073.

10. This resolution adopts SCE's ST program expansion proposal request with the following proposed program operational changes: the minimum set back temperature should be 4 degrees; the minimum number of test events for this summer should be 15 with a duration of 2-4 hours per event, and no more than 3 consecutive events should be called per week.

11. This resolution adopts SCE's proposed 2004 ST program evaluation. The final evaluation shall be filed with the Energy Division by March 1, 2005.

12. This resolution requires SCE to report to the Energy Division monthly implementation and operational costs associated with the ST program expansion, and program operation information (number of events called per month / estimated load reduction).

13. SCE proposes to re-open the 20/20 rebate program for eligible C&I bundled service customers on the TOU tariffs for summer 2004 (July 1 through October 3, 2004).

14. The proposed 20/20 program would give C&I customers a 20 percent bill credit (applied to on-peak energy and demand) if they reduce their average daily on-peak electricity consumption by 20 percent in a summer month of 2004, compared to the same month in summer 2003. The bill credit will be calculated based on each customer's billing cycle.

15. SCE estimates that the total system peak demand represented by C&I customers eligible for the 20/20 rebate program is at least 3,100 MW. Based on this load amount, SCE estimates a peak load reduction between 31 to 186 MWs, assuming a 1% to 6% of total load reduction in response to the 20/20 program offering.

16. The estimated implementation and rebate costs for the 2004 20/20 rebate program range from $7-$20 million. SCE requests to recover these costs through their ERRA account. This resolution recommends approval of SCE's cost recovery request for the implementation and operation of the 2004 20/20 Rebate Program.

17. SCE proposes to conduct a detailed program evaluation for 2004 to assess the cost-effectiveness of the 20/20 program. SCE will estimate the effect of the program on on-peak energy usage using a detailed statistical analysis approach (time series cross-sectional multiple regression analysis).

18. This resolution recommends adoption of SCE's proposal to re-open the 20/20 rebate program and the cost-effectiveness program evaluation. SCE shall file the cost-effectiveness report with the Energy Division by March 1, 2005.

19. SCE requests authority to increase enrollment in their residential ACCP by 10,000 new participants, in addition to 20,000 new customer accounts SCE is already planning for summer 2004.

20. SCE estimates a 10-17 MW of peak load reduction from the additional 10,000 accounts and a total of 30-51 MW for the 30,000 new customers.

21. SCE estimates the ACCP program expansion to cost $2.9 million: $.9 million for customer outreach, $1.5 million in device and installation costs, and $500,000 to cover one month of incentives at 100% cycling.

22. SCE request authority to create the ACCP memorandum account to track the costs of procuring and installing the additional load control switches. SCE proposes to record the costs associated with ACCP customer enrollments that are above their already planned 20,000 new installs. This resolution recommends authorizing the ACCP memorandum account.

23. SCE plans to integrate the existing ACCP technology with newer technology for the ALC program.

24. This resolution recommends adopting SCE's ACCP program expansion request for this summer only to address the energy supply shortage concern.

25. SCE proposes an integrated outreach campaign to build participation in the proposed ST program expansion, 20/20 rebate program, and ACCP expansion; and raise customer awareness of the need to conserve energy during peak periods.

26. SCE will conduct a 12- week mass media advertising campaign (radio and print), which will run in English, Spanish, and multiple Asian language stations throughout SCE's service territory.

27. The estimated cost of mass media campaign is $1.85 million. SCE request authority to establish the Mass Media Campaign Memorandum Account (MMCMA) to record the costs of this media campaign. This resolution recommends authorizing the establishment of this account. These costs however should be capped at $1.85 million.

28. The mass media campaign is a key component in maximizing customer participation, education, and response to the proposed programs. This resolution recommends adopting SCE's mass media campaign proposal.

THEREFORE IT IS ORDERED THAT:

1. SCE's program proposals for this summer, filed in Advice Letter 1804, to re-open schedule 20/20 for commercial and industrial customers on TOU rates schedules, expand the AB970 Smart Thermostat Program, and increase enrollment in the residential ACPP are approved with the program evaluations specified in this resolution.
2. SCE shall file with the Energy Division program evaluations for the 20/20 rebate program and the Smart Thermostat program by March 1, 2005.
3. SCE shall report with the Energy Division monthly program implementation costs and the programs' operational information specified in this resolution.
4. SCE is authorized to record the cost associated with the Smart Thermostat Program expansion in the Demand Reduction and Self-Generation Program Incremental Cost Memorandum Account for future cost recovery.
5. SCE is authorized to record the costs of re-opening and implementing the 20/20 rebate program (costs associated with implementation, marketing, and customer rebates) in their Energy Resource Recovery Account (ERRA).
6. SCE is authorized to establish the ACCP Memorandum Account to record costs associated with the ACCP program expansion for future cost recovery.
7. SCE is authorized to establish the Mass Media Campaign Memorandum Account to record the costs of implementing the mass media campaign and future cost recovery.
8. This Advice Letter shall become effective immediately.
9. Public necessity requires that the 30-day comment period be waived in order for the Commission to permit SCE to implement these programs immediately.

10. We balance the public interest in avoiding the possible harm to public welfare flow from delay in considering the Resolution against the public interest in having the full 30-day period for review and comment, as required by Rule 77.7(f)(9), and conclude that the former outweighs the latter.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 8, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

June 28, 2004

RESOLUTION E-3879
JULY 8, 2004

To: SOUTHERN CALIFORNIA EDISON (SCE) ADVICE LETTER 1804-E.

Enclosed is draft Resolution Number E-3879 of the Energy Division. It is in response to SCE's Advice Letter (AL) 1804-E filed on June 8, 2004, and will appear on the agenda at the next Commission meeting scheduled on July 8, 2004. The Commission may vote on this Resolution at that time or it may postpone a vote until a later meeting. When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

The June 4, 2004 Assigned Commissioner Ruling (ACR) granted Energy Division the authority to shorten the comment period on the Draft Resolution to allow action at the earliest Commission meeting possible. In order for this Resolution to be considered at the July 8, 2004 Commission meeting comments on the draft Resolution are due by July 1, 2004, and reply comments on July 6, 2004.

An original of the comments, along with a certificate of service should be submitted to:

Jerry Royer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the comments should be submitted in electronic format to:

Moises Chavez
Energy Division
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
mcv@cpuc.ca.gov

Parties must serve a copy of their comments on all persons on the service list attached to the draft resolution, on the same date that the comments are submitted to the Energy Division. Parties must serve replies to comments on all persons on the service list attached to the draft resolution and any other parties who filed comments, on the same date that the reply comments are submitted to the Energy Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution.

Replies to comments on the draft resolution may be filed (i.e., received by the Energy Division) on July 6, 2004, and shall be limited to identifying misrepresentations of law or fact contained in the comments of other parties. Replies shall not exceed five pages in length, and shall be filed and served as set forth above for comments.

Late submitted comments or replies will not be considered.

An accompanying declaration under penalty of perjury shall be submitted setting forth all the reasons for the late submission.

Please contact Moises Chavez of the Energy Division at 415-703-1851 if you have questions or need assistance.

Sincerely,

Moises Chavez
Energy Division

Enclosure: Service List
Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by electronic mail this day served a true copy of Draft Resolution E-3879 on all parties on the SCE's Advice Letter 1804-E service list or their attorneys as shown on the attached list.

Dated June 28, 2004 at San Francisco, California.

____
Moises Chavez

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Parties to SCE's Advice Letter 1804-E:

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